



Board of Education of Franklin County Schools

Independent Auditor's Report, Financial Statements, and Supplementary Information

June 30, 2025



Board of Education of Franklin County Schools
Contents
June 30, 2025

Independent Auditor's Report.....	1
--	----------

Management's Discussion and Analysis.....	4
--	----------

Basic Financial Statements

Exhibit

Government-Wide Financial Statements

1	Statement of Net Position (Deficit).....	13
2	Statement of Activities	14

Fund Financial Statements

3	Balance Sheet - Governmental Funds	15
3	Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit)	15
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Funds	18
7	Statement of Net Position (Deficit) - Proprietary Funds	22
8	Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit) - Proprietary Funds	23
9	Statement of Cash Flows - Proprietary Funds.....	24

Notes to the Financial Statements	25
--	-----------

Required Supplementary Information

Schedule

1	Schedule of the Board's Proportionate Share of the Net Pension Liability - Teachers' and State Employees' Retirement System.....	49
2	Schedule of Board Contributions - Teachers' and State Employees' Retirement System.....	50
3	Schedule of the Board's Proportionate Share of the Net OPEB Liability - Retiree Health Benefit Fund.....	51

Board of Education of Franklin County Schools
Contents
June 30, 2025

Schedule

4	Schedule of Board Contributions - Retiree Health Benefit Fund	52
5	Schedule of the Board's Proportionate Share of the Net OPEB Asset (Liability) - Disability Income Plan of North Carolina	53
6	Schedule of Board Contributions - Disability Income Plan of North Carolina.....	54

Supplementary Information - Combining and Individual Fund Statements and Schedules

Schedule

7	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Outlay Fund	55
8	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Individual Schools.....	56
9	Schedule of Revenues, and Expenditures – Budget and Actual (Non- GAAP) - School Food Service Fund.....	57
10	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) - Child Care Fund	58

Compliance Section

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards - Independent Auditor's Report.....	59
---	-----------

Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act - Independent Auditor's Report.....	61
---	-----------

Report on Compliance for Each Major State Program and on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act - Independent Auditor's Report.....	64
---	-----------

Schedule

11	Schedule of Findings and Questioned Costs	67
12	Summary Schedule of Prior Audit Findings.....	69
13	Schedule of Expenditures of Federal and State Awards	70
	Notes to Schedule of Expenditures of Federal and State Awards	72

Independent Auditor's Report

Board of Education
Franklin County Schools
Louisburg, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Franklin County Schools, North Carolina ("Board"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General, State Public School, Restricted Revenues, and Federal Grants funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The individual fund budgetary schedules and the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary schedules and the accompanying schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2026, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Raleigh, North Carolina
January 20, 2026**

Board of Education of Franklin County Schools
Management's Discussion and Analysis
June 30, 2025

This section of the Board of Education of Franklin County Schools (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2025. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

The Franklin County Schools Board of Education recognizes and appreciates the ongoing support and collaboration of the Franklin County Board of Commissioners in advancing educational opportunities for the children of Franklin County. The shared priorities of both governing bodies reflect a strong alignment around educational attainment and long-term community success. The district's vision of "Building a stronger community one life-long learner at a time" is dependent upon this close working relationship and continues to yield positive outcomes for both students and the broader community.

Franklin County remains one of the fastest-growing counties in the Research Triangle region, with an annual growth rate of approximately 4.1 percent. According to data published by the North Carolina Office of State Budget and Management (OSBM), Franklin County ranks among the top counties statewide for population growth. Despite lingering economic effects of the COVID-19 pandemic, the local economy has continued to perform favorably. However, this growth presents ongoing fiscal challenges for the school district, including increasing concerns of the expansion of private and charter schools, competitive labor market pressures for wages and benefits, inflationary increases in operational costs, and a growing list of capitalized projects to maintain buildings and grounds.

In response to these pressures, Franklin County Schools has continued to progress in a positive direction through methodical financial planning, collaboration with key stakeholders, and a sustained focus on staff retention. Establishing and maintaining a strong foundation for student academic success remains a central priority of the district. This includes early access to educational opportunities, targeted instructional supports to address learning gaps, and the implementation of career- and college-readiness programs that prepare students to successfully transition beyond high school. The continuation of these efforts is directly dependent on adequate and stable funding to support both instructional and operational needs.

Average Daily Membership (ADM) is a direct contributor to all the major sources of funding for education including local current funding allocations from our Board of County Commissioners. Beyond the direct appropriation to fund targeted projects, local current expense funds are allocated on a per-pupil basis and are used to support both traditional public schools and charter schools serving Franklin County residents. Under North Carolina funding requirements, a portion of local funding received by the district is redistributed to charter schools as "pass-through" payments. The funding formula for charter schools requires Franklin County Schools to continue to face competition from charter schools in bordering counties, not just within our own town. This impact has been noticeable for districts across the state even causing some districts to close permanently or combine schools when the impact was too severe. While overall potential student numbers have grown in the county with increases in the population, FCS enrollment has stabilized with slight increases while charter school enrollment has continued to rise as a result of a significant expansion of charter school options throughout the state. During the 2024–25 fiscal year, Franklin County Schools processed more than \$8 million in local current expense funds as pass-through payments to charter schools, representing approximately 26–28 percent of the district's local current expense budget. As enrollment continues to grow across the county, Franklin County Schools must balance rising charter school funding obligations with the need to sustain staffing levels, maintain facilities, and provide high-quality educational programs for students attending traditional public schools. These enrollment dynamics remain a significant factor in the district's financial planning and long-term budget development.

The population of Franklin County has grown significantly over the past several years, and this growth has been reflected in combined enrollment across public and charter schools. Projections for the 2024–25 school year indicate a combined public and charter enrollment of approximately 11,114 students, representing an increase of more than 1,200 students, or approximately 12 percent, since the 2020–21 school year. Continued growth is

Board of Education of Franklin County Schools
Management's Discussion and Analysis
June 30, 2025

anticipated beyond the current fiscal year, further increasing demands on instructional capacity, operational resources, and long-term facilities planning.

State legislative actions to increase salaries and benefits for state-funded instructional personnel continue to create funding challenges for school districts across North Carolina, particularly in maintaining competitive compensation for locally funded employees who support district operations outside of direct classroom instruction. Franklin County Schools relies on local current expense funding to support classified staff salaries, local supplements, and benefit costs that are not fully addressed through state allotments. Our ability to recruit and retain classified employees, many of whom live in Franklin County, is beneficial to not just our students, but our larger community.

Through the 2024–25 local current expense budget, funding was approved to continue initiatives focused on improving compensation for classified staff and supporting targeted retention efforts for certified instructional personnel. These locally funded positions are critical to daily operations and student success and include employees in transportation, child nutrition, instructional support, maintenance, clerical services, and other operational areas. Many of these employees are residents of Franklin County, and the district's ability to maintain a stable workforce provides benefits not only to students but to the broader community.

In addition to salary initiatives, the Franklin County Board of Education approved a multi-year longevity retention bonus for all permanent employees, originally funded through federal ESSER (pandemic relief) funds beginning in the 2021–22 fiscal year. This longevity-based incentive has contributed positively to employee retention during a period of workforce instability and heightened competition for qualified staff. The program rewards continued service and applies only to employees who remain committed to employment with Franklin County Schools.

As federal ESSER funding sunsetted in September 2024, the district identified the continuation of the longevity retention bonus as a key financial priority. For the 2024–25 fiscal year, approximately \$2.5 million of the \$5.2 million local funding increase was allocated to maintain this program. For teachers, the longevity bonus, combined with the local supplement and existing retention incentives, results in a competitive supplement estimated at approximately 16 percent. For classified employees, the longevity bonus provides a meaningful annual financial benefit in addition to hourly wages and supports retention in historically difficult-to-fill positions such as bus drivers, instructional assistants, child nutrition workers, maintenance and clerical staff.

The Franklin County Board of Commissioners approved the local funding request necessary to sustain the longevity retention bonus beyond the expiration of federal relief funds. This action reflects a shared commitment to workforce stability and positions the district to remain competitive with neighboring school systems while continuing to support instructional quality and operational continuity.

Through the collaborative efforts of the Franklin County Board of Education and district leadership, capital projects consistent with the district's Capital Improvement Plan (CIP) are evaluated annually to identify funding priorities and facility needs. In addition to this ongoing review, Franklin County Schools submits a five-year capital needs report to the North Carolina Department of Public Instruction (NCDPI). This report identified more than \$70 million in projected facilities needs over a ten-year period, including major infrastructure components such as HVAC systems, roofing, paving, flooring, and other projects necessary to maintain safe, functional, and supportive learning environments.

To further assess and plan for long-term facility requirements, the Board of Education, in collaboration with district leadership, completed a comprehensive Long Range Facilities evaluation and plan. Seven Long Range Board Work Sessions were conducted between February and August 2023 to review facility conditions, enrollment trends, and cost projections. Based on current growth patterns and construction cost estimates, the long-range study identified major capital needs and projects that may exceed \$100 million over the coming decade. These estimates do not include annual recurring maintenance costs or immediate short-term needs. Following detailed review, the Board of Education prioritized both short- and long-term facility improvements across district sites.

Board of Education of Franklin County Schools
Management's Discussion and Analysis
June 30, 2025

For the 2024–25 fiscal year, Franklin County Schools identified more than \$2 million in capital outlay needs to address recurring maintenance and targeted facility projects. While this funding level was generally sufficient during the pre-pandemic period, inflationary pressures and increased post-pandemic construction and material costs have significantly reduced its purchasing power. As a result, maintaining buildings and grounds at an acceptable standard now requires higher levels of investment.

During prior fiscal years, the district utilized more than \$5.0 million in federal ESSER funds to address critical HVAC and air quality improvements. These investments allowed the district to advance major infrastructure projects that would traditionally be supported through county capital funding, thereby offsetting some immediate funding pressures and enabling local resources to be redirected to other district priorities.

The total capital outlay budget for the 2024–25 fiscal year exceeded \$3 million and included \$1.9 million in county appropriations, support from the North Carolina Education Lottery funding, and funds from the district's capital fund balance. While this level of funding supported recurring maintenance and select projects, the district continues to face a significant gap between available resources and identified long-term capital needs. In response, the Franklin County Board of Commissioners approved the establishment of a joint capital committee to further evaluate short- and long-term facilities funding strategies.

Overview of the Financial Statements

The audited financial statements of the Board consist of four components. They are as follows:

- Independent Auditor's Report
- Management's Discussion and Analysis (required supplementary information)
- Basic Financial Statements
- Required supplemental information and supplemental information section presents schedules for Teachers' and State Employees' Retirement System, Retiree Health Benefit Fund, Disability Income Plan of North Carolina and budgetary statements for the governmental and proprietary funds.

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the Statement of Net Position (Deficit) and the Statement of Activities. The Statement of Net Position (Deficit) includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows of resources, obligations to creditors, and deferred inflows of resources. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

Board of Education of Franklin County Schools
Management's Discussion and Analysis
June 30, 2025

Government-Wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position (deficit) includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position (deficit) and how they have changed. Net position (deficit) - the difference between the total of the Board's assets and deferred outflows of resources and the total of the liabilities and deferred inflows of resources - is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net position (deficit) are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

The Board's activities are divided into two categories in the government-wide statements:

- *Governmental activities:* Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and state and federal aid finance most of these activities.
- *Business-type activities:* The Board charges fees to help it cover the costs of certain services it provides. School food service and child care services are included here.

The government-wide statements are shown as Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds - not the unit as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law, such as the State Public School Fund.
- The Board has established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants and Restricted Revenue Funds.

Franklin County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things - (1) how cash and other assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of reconciliations, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, Restricted Revenues Fund, the Individual Schools Fund, the Capital Outlay Fund, and the Federal Grants Fund.

The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

Board of Education of Franklin County Schools
Management's Discussion and Analysis
June 30, 2025

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Board has two proprietary funds - both enterprise funds - the School Food Service Fund and the Child Care Fund.

The proprietary fund statements are shown as Exhibits 7, 8 and 9 of this report.

Financial Analysis of the Board as a Whole

Net position or deficit is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20.2 million as of June 30, 2025. The largest positive component of the net position (deficit) is the Board's net investment in capital assets of \$110.3 million. Restricted and unrestricted net position (deficit) amounted to \$1.9 million and (\$92) million, respectively. The primary reason for the total net deficit and unrestricted net deficit in the current year is the presentation of the board's proportionate share of the net pension liability and net OPEB liability in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net pension liability, net OPEB liability, and related components have a \$101.5 million negative effect on the Board's overall net position.

Following is a summary of the Statement of Net Position (Deficit):

Table 1
Condensed Statement of Net Position (Deficit)
as of June 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 13,641,784	\$ 13,549,973	\$ 2,930,012	\$ 2,738,973	\$ 16,571,796	\$ 16,288,946
Capital assets	111,035,619	114,758,415	106,579	130,591	111,142,198	114,889,006
Total Assets	124,677,403	128,308,388	3,036,591	2,869,564	127,713,994	131,177,952
Deferred outflows of resources	46,965,894	43,961,850	1,711,816	1,619,023	48,677,710	45,580,873
Current liabilities	1,679,757	3,061,962	63,460	111,144	1,743,217	3,173,106
Long-term liabilities	133,121,426	122,800,839	4,873,490	4,517,916	137,994,916	127,318,755
Total Liabilities	134,801,183	125,862,801	4,936,950	4,629,060	139,738,133	130,491,861
Deferred inflows of resources	15,787,186	22,674,182	618,123	880,821	16,405,309	23,555,003
Net investment in capital assets	110,264,076	114,192,011	106,579	130,591	110,370,655	114,322,602
Restricted net position	1,902,008	2,890,776	3,043	-	1,905,051	2,890,776
Unrestricted net deficit	(91,111,156)	(93,349,532)	(916,288)	(1,151,885)	(92,027,444)	(94,501,417)
Total Net Position (Deficit)	\$ 21,054,928	\$ 23,733,255	\$ (806,666)	\$ (1,021,294)	\$ 20,248,262	\$ 22,711,961

The net position of the Board's governmental activities decreased from \$23.7 million at June 30, 2024 to a net position of \$21 million at June 30, 2025, a decrease of \$2.7 million. The Board's net investment in capital assets decreased by \$3.9 million during the year due primarily to depreciation expense in excess of capital outlay.

Board of Education of Franklin County Schools
Management's Discussion and Analysis
June 30, 2025

Restricted and unrestricted combined net deficit decreased by \$1.2 million as a result of the changes in the proportionate share of the Teachers' and State Employees' Retirement System plan net pension liability, as well as changes to the proportionate share of the Retiree Health Benefit Fund net OPEB liability and deferred outflows and inflows of resources.

The net deficit of business-type activities decreased \$214 thousand from \$1 million at June 30, 2024 to \$806 thousand at June 30, 2025. This decrease is related primarily to an increase in cash of \$239 thousand.

The following table shows the revenues and expenses for the Board for the current fiscal year.

Table 2
Condensed Statement of Activities
Years Ended June 30, 2025 & 2024

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for services	\$ 1,811,064	\$ 1,724,980	\$ 625,773	\$ 937,507	\$ 2,436,837	\$ 2,662,487
Operating grants and contributions	72,629,632	79,520,318	5,361,410	4,935,092	77,991,042	84,455,410
Capital grants and contributions	715,028	403,214	-	-	715,028	403,214
General Revenues						
Unrestricted state and federal appropriations	26,302	91,002	957	3,398	27,259	94,400
Unrestricted county appropriations	32,842,373	27,532,415	-	-	32,842,373	27,532,415
Other revenues	2,178,287	2,381,658	4,578	3,127	2,182,865	2,384,785
Total Revenues	110,202,686	111,653,587	5,992,718	5,879,124	116,195,404	117,532,711
Expenses						
Governmental Activities						
Instructional services	76,378,340	75,082,151	-	-	76,378,340	75,082,151
System-wide support services	23,153,943	21,330,201	-	-	23,153,943	21,330,201
Ancillary services	231,103	289,046	-	-	231,103	289,046
Non-programmed charges	8,203,086	6,708,340	-	-	8,203,086	6,708,340
Unallocated depreciation expense	5,107,016	4,922,141	-	-	5,107,016	4,922,141
Business-Type Activities						
School food service	-	-	5,564,615	5,382,292	5,564,615	5,382,292
Child care	-	-	234,591	273,944	234,591	273,944
Total Expenses	113,073,488	108,331,879	5,799,206	5,656,236	118,872,694	113,988,115
Change in Net Position (Deficit)	(2,870,802)	3,321,708	193,512	222,888	(2,677,290)	3,544,596
Net Position (Deficit), Beginning, (2025 restated)	23,925,730	20,411,547	(1,000,178)	(1,244,182)	22,925,552	19,167,365
Net Position (Deficit), Ending	\$ 21,054,928	\$ 23,733,255	\$ (806,666)	\$ (1,021,294)	\$ 20,248,262	\$ 22,711,961

During the year ended June 30, 2025, governmental activities generated revenues of \$110.2 million compared with total expenses of \$113.1 million, resulting in the decrease in net position for these activities of approximately \$2.9 million. The primary sources of revenue were funding from the State of North Carolina, the County of Franklin, and the United States government, which respectively comprised 61.1%, 29.8%, and 5.8% of revenues. The main driving force behind the decrease in revenues of \$1.4 million is a decrease in operating grants and contributions of \$6.9 million offset by an increase in unrestricted county appropriations of \$5.3 million. Instructional services expenses comprised 67.5% of total governmental activities expenses while system-wide support services made up 20.5% of those expenses for the year ended June 30, 2025.

Board of Education of Franklin County Schools
Management's Discussion and Analysis
June 30, 2025

Business-type activities generated revenue of \$6 million and incurred expenses of \$5.8 million, resulting in a decrease in net deficit of \$193 thousand as compared to a decrease of \$223 thousand in the prior year. The decrease in the change in net deficit compared to the prior year is primarily related to increases in food costs of \$90 thousand.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$12.6 million at June 30, 2025, a \$106 thousand decrease when compared to the prior year. Overall, total revenues decreased by \$1.2 million compared to the prior year, while total expenditures decreased by \$150 thousand.

For the fiscal year ended June 30, 2025, the Board's General Fund and the Restricted Revenues Fund experienced an increase in fund balance of \$137 thousand and \$434 thousand, respectively. Specifically related to the General Fund, revenues during this same period increased by \$5.7 million to \$31.5 million related to increases in county appropriations. The Restricted Revenues Fund recognized a decrease in total revenues of \$443 thousand when compared to the prior year related to decreases in Medicaid funds.

The Board's State Public School Fund and Federal Grants Fund recognized changes in revenues of \$850 thousand or 1.3% and \$(7.7) million or (55%), respectively. The decrease in Federal Grants Fund is attributable to decreases in the Education Stabilization and relief funds related to the COVID-19 Pandemic.

The Board's Individual Schools Fund and Capital Outlay Fund had a net change in fund balance of \$33 thousand and \$(622) thousand, respectively. In comparison to the prior year, the Individual Schools Fund and Capital Outlay Fund had a net increase of \$20 thousand and \$70 thousand, respectively.

Proprietary Funds: The Board's business-type funds reported a combined net deficit of \$806 thousand at June 30, 2025, a \$193 thousand decrease in deficit when compared to the prior year. The School Food Service Fund generated a decrease in net deficit of \$150 thousand during the year ended June 30, 2025 compared to a decrease in net deficit of \$195 thousand during the year ended June 30, 2024. The Child Care Fund generated a decrease in net deficit of \$42 thousand during the year ended June 30, 2025 compared to a decrease in net deficit of \$27 thousand during the year ended June 30, 2024. The decrease in the change in net deficit compared to the prior year is primarily related to increases in food costs of \$90 thousand.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the General Fund budget several times to account for changes in expectations of expenditures. Total budgeted revenues decreased by \$302 thousand as a result of expected decreases in other revenues from what was originally budgeted. Total budgeted expenditures decreased by \$304 thousand as a result of expected decreases in non-programmed charges.

Board of Education of Franklin County Schools
Management's Discussion and Analysis
June 30, 2025

Capital Assets

During the fiscal year ended June 30, 2025, capital assets, net of accumulated depreciation/amortization, decreased by \$3.7 million for governmental activities and decreased by \$24 thousand for business-type activities, compared to the prior year. Total depreciation/amortization charges for the year ended June 30, 2025 was \$5.8 million for governmental activities. Total depreciation/amortization charges for the year ended June 30, 2025 was \$23 thousand for business-type activities. For more detailed information, please see Capital Assets in Note 3 in the accompanying notes to the financial statements.

Table 3
Summary of Capital Assets
as of June 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land	\$ 6,776,775	\$ 6,776,775	\$ -	\$ -	\$ 6,776,775	\$ 6,776,775
Construction in progress	24,716	24,716	-	-	24,716	24,716
Buildings and improvements	100,350,573	104,227,361	-	-	100,350,573	104,227,361
Equipment and furniture	649,060	830,377	106,579	130,591	755,639	960,968
Vehicles	3,234,495	2,899,186	-	-	3,234,495	2,899,186
Total	\$ 111,035,619	\$ 114,758,415	\$ 106,579	\$ 130,591	\$ 111,142,198	\$ 114,889,006

Debt Outstanding

The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. During the year ended June 30, 2025, the Board issued installment purchase obligations for school buses. Refer to Note 3 in the accompanying notes to the financial statements.

Economic Factors

Franklin County continues to benefit from a diverse and expanding economic base that includes both large employers and small businesses. Companies ranging from internationally recognized organizations such as Novonesis to locally owned restaurants and retailers contribute to a stable local economy. The County's proximity to the Research Triangle Region—home to Research Triangle Park and the universities of Duke University, North Carolina State University, and the University of North Carolina at Chapel Hill—supports continued economic development through innovation, research, and workforce growth. The region attracts more than \$2 billion annually in federal research funding, particularly in the life sciences and technology sectors, which contributes to job creation and long-term economic stability.

The County's location adjacent to Wake County further supports economic expansion by providing convenient commuting options for residents and businesses. Transportation infrastructure improvements, including the widening of Highway 401, are expected to enhance accessibility to employment centers and services throughout the Triangle region.

While long-term economic indicators remain generally favorable, uncertainty surrounding consumer spending patterns and broader economic conditions continues to warrant close monitoring. Despite these uncertainties, property tax and sales tax revenues—the County's primary revenue sources—have remained relatively stable and have shown favorable trends in recent periods, supporting local funding for education.

As federal pandemic relief funding expired, the statewide and national impacts on public education continue to persist. Franklin County Schools has responded by aligning budget priorities with strategic goals that emphasize staff retention, student academic growth, and operational sustainability. These efforts are particularly important as the district addresses rising costs associated with inflation, employee compensation and benefits, charter school funding obligations, and facility maintenance.

Board of Education of Franklin County Schools
Management's Discussion and Analysis
June 30, 2025

Looking Ahead

Although challenges remain related to charter school funding, inflationary operational costs, statutory class size requirements, and long-term facilities needs, Franklin County Schools continues to focus on its core mission of providing high-quality educational opportunities for all students. Near-term priorities include preparing students for college, career, and life beyond the classroom; maintaining strong academic performance across all grade levels; ensuring safe, orderly, and well-maintained learning environments; and recruiting, supporting, and retaining a high-quality workforce.

As the district concludes its current strategic plan, Blueprint 2025, Franklin County Schools will engage families, staff, and community stakeholders in the development of a new strategic plan for implementation beginning in the 2025–26 school year. This planning process will build upon existing progress while addressing emerging challenges associated with growth, funding, and long-term sustainability.

Requests for Information

This report is intended to provide a summary of the financial condition of the Board of Education of Franklin County Schools. Questions or requests for additional information should be addressed to:

Quinnley Coley, Chief Finance Officer
Board of Education of Franklin County Schools
53 West River Road
Louisburg, North Carolina 27549

Basic Financial Statements

Board of Education of Franklin County Schools
Statement of Net Position (Deficit)
June 30, 2025

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,239,114	\$ 2,561,323	\$ 15,800,437
Due from other governments	279,980	177,888	457,868
Receivables	40,347	-	40,347
Inventories	-	187,758	187,758
Net OPEB asset	82,343	3,043	85,386
Capital assets not being depreciated	6,801,491	-	6,801,491
Capital assets, net of depreciation/amortization	104,234,128	106,579	104,340,707
Total Assets	124,677,403	3,036,591	127,713,994
DEFERRED OUTFLOWS OF RESOURCES	46,965,894	1,711,816	48,677,710
LIABILITIES			
Accounts payable and accrued expenses	927,570	862	928,432
Accrued salaries and wages payable	12,235	-	12,235
Unearned revenues	-	51,154	51,154
Long-term liabilities			
Due within one year	739,952	11,444	751,396
Due in more than one year	133,121,426	4,873,490	137,994,916
Total Liabilities	134,801,183	4,936,950	139,738,133
DEFERRED INFLOWS OF RESOURCES	15,787,186	618,123	16,405,309
NET POSITION (DEFICIT)			
Net investment in capital assets	110,264,076	106,579	110,370,655
Restricted for			
Stabilization by State Statute	320,327	-	320,327
School Capital Outlay	825,600	-	825,600
Individual Schools	673,738	-	673,738
DIPNC OPEB plan	82,343	3,043	85,386
Unrestricted	(91,111,156)	(916,288)	(92,027,444)
Total Net Position (Deficit)	\$ 21,054,928	\$ (806,666)	\$ 20,248,262

Board of Education of Franklin County Schools
Statement of Activities
Year Ended June 30, 2025

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
Instructional services							
Regular instructional	\$ 45,210,238	\$ -	\$ 39,941,789	\$ -	\$ (5,268,449)	\$ -	\$ (5,268,449)
Special populations	9,743,424	-	9,124,943	-	(618,481)	-	(618,481)
Alternative programs	5,344,237	-	4,463,634	-	(880,603)	-	(880,603)
School leadership	6,863,956	-	4,802,925	-	(2,061,031)	-	(2,061,031)
Co-curricular	2,438,348	-	-	-	(2,438,348)	-	(2,438,348)
School-based support	6,778,137	1,684,573	5,609,161	-	515,597	-	515,597
System-wide support services							
Support and development	625,231	-	354,722	-	(270,509)	-	(270,509)
Special population support and development	610,398	-	532,696	-	(77,702)	-	(77,702)
Alternative programs and services support and development	193,796	-	175,275	-	(18,521)	-	(18,521)
Technology support	1,200,461	-	736,843	-	(463,618)	-	(463,618)
Operational support	16,338,217	126,491	5,890,773	715,028	(9,605,925)	-	(9,605,925)
Financial and human resources	2,691,334	-	288,986	-	(2,402,348)	-	(2,402,348)
Accountability	145,993	-	-	-	(145,993)	-	(145,993)
System-wide pupil support	169,104	-	62,234	-	(106,870)	-	(106,870)
Policy, leadership and public relations	1,179,409	-	394,799	-	(784,610)	-	(784,610)
Ancillary services	231,103	-	45,126	-	(185,977)	-	(185,977)
Non-programmed charges	8,203,086	-	205,726	-	(7,997,360)	-	(7,997,360)
Unallocated depreciation expense, excluding direct depreciation expense charged to programs	5,107,016	-	-	-	(5,107,016)	-	(5,107,016)
Total Governmental Activities	113,073,488	1,811,064	72,629,632	715,028	(37,917,764)	-	(37,917,764)
Business-Type Activities							
School food service	5,564,615	348,710	5,361,410	-	-	145,505	145,505
Child care	234,591	277,063	-	-	-	42,472	42,472
Total Business-Type Activities	5,799,206	625,773	5,361,410	-	-	187,977	187,977
Total Primary Government	\$ 118,872,694	\$ 2,436,837	\$ 77,991,042	\$ 715,028	(37,917,764)	187,977	(37,729,787)
General Revenues							
Unrestricted county appropriations - operating					30,541,812	-	30,541,812
Unrestricted county appropriations - capital					2,300,561	-	2,300,561
Investment earnings, unrestricted					18,769	1,155	19,924
State OPEB contribution - non-capital					26,302	957	27,259
Miscellaneous, unrestricted					2,159,518	3,423	2,162,941
Total General Revenues					35,046,962	5,535	35,052,497
Change in Net Position (Deficit)					(2,870,802)	193,512	(2,677,290)
Net Position (Deficit), Beginning, As Previously Reported					23,733,255	(1,021,294)	22,711,961
Restatement					192,475	21,116	213,591
Net Position (Deficit), Beginning, As Restated					23,925,730	(1,000,178)	22,925,552
Net Position (Deficit), Ending					\$ 21,054,928	\$ (806,666)	\$ 20,248,262

See Notes to Financial Statements

Board of Education of Franklin County Schools
Balance Sheet
Governmental Funds
June 30, 2025

Exhibit 3

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Restricted Revenues	
ASSETS							
Cash and cash equivalents	\$ 5,735,168	\$ -	\$ -	\$ 872,071	\$ 673,738	\$ 5,958,137	\$ 13,239,114
Due from other governments	-	-	-	279,980	-	-	279,980
Receivables	40,347	-	-	-	-	-	40,347
Total Assets	<u>\$ 5,775,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,152,051</u>	<u>\$ 673,738</u>	<u>\$ 5,958,137</u>	<u>\$ 13,559,441</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ 872,392	\$ -	\$ -	\$ 46,471	\$ -	\$ 8,707	\$ 927,570
Accrued salaries and benefits payable	12,235	-	-	-	-	-	12,235
Total Liabilities	<u>884,627</u>	<u>-</u>	<u>-</u>	<u>46,471</u>	<u>-</u>	<u>8,707</u>	<u>939,805</u>
Fund Balances							
Restricted							
Stabilization by state statute	40,347	-	-	279,980	-	-	320,327
School capital outlay	-	-	-	825,600	-	-	825,600
Individual schools	-	-	-	-	673,738	-	673,738
Assigned							
Other Special Programs	-	-	-	-	-	5,949,430	5,949,430
Unassigned	4,850,541	-	-	-	-	-	4,850,541
Total Fund Balances	<u>4,890,888</u>	<u>-</u>	<u>-</u>	<u>1,105,580</u>	<u>673,738</u>	<u>5,949,430</u>	<u>12,619,636</u>
Total Liabilities and Fund Balances	<u>\$ 5,775,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,152,051</u>	<u>\$ 673,738</u>	<u>\$ 5,958,137</u>	
Amounts reported for governmental activities in the Statement of Net Position (Deficit) (Exhibit 1) are different because:							
Net OPEB asset							82,343
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds							111,035,619
Deferred outflows of resources related to pensions							19,722,896
Deferred outflows of resources related to OPEB							27,242,998
Some liabilities, including compensated absences and installment purchase obligations are not due and payable in the current period and therefore are not reported in the funds.							(4,792,935)
Net pension liability							(42,693,247)
Net OPEB liability							(86,375,196)
Deferred inflows of resources related to pensions							(1,008,827)
Deferred inflows of resources related to OPEB							(14,778,359)
Net Position of Governmental Activities							<u>\$ 21,054,928</u>

Board of Education of Franklin County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2025

Exhibit 4

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Restricted Revenues	
Revenues							
Intergovernmental							
State of North Carolina	\$ -	\$ 66,322,633	\$ -	\$ 715,028	\$ -	\$ 378,160	\$ 67,415,821
Franklin County							
Local Current Expense	30,541,812	-	-	-	-	-	30,541,812
Other	-	-	-	2,300,561	-	-	2,300,561
U.S. Government	-	-	6,306,999	-	-	72,631	6,379,630
Other	989,242	-	-	3,572	1,684,573	1,066,899	3,744,286
Total Revenues	31,531,054	66,322,633	6,306,999	3,019,161	1,684,573	1,517,690	110,382,110
Expenditures							
Current							
Instructional services							
Regular instructional	5,543,644	39,312,950	628,839	-	-	260,600	45,746,033
Special populations	707,168	7,112,444	2,012,499	-	-	25,848	9,857,959
Alternative programs	467,324	2,083,569	2,380,065	-	-	476,360	5,407,318
School leadership	2,143,175	4,799,168	3,757	-	-	-	6,946,100
Co-curricular	746,161	-	-	-	1,712,014	6,868	2,465,043
School-based support	1,030,993	5,200,303	408,858	-	-	217,332	6,857,486
System-wide support services							
Support and development	277,091	308,451	46,271	-	-	679	632,492
Special population support and development	84,968	217,368	315,328	-	-	-	617,664
Alternative programs and services support and development	20,854	67,972	107,303	-	-	-	196,129
Technology support	477,578	736,843	-	-	-	-	1,214,421
Operational support	8,059,010	5,700,636	190,137	-	-	55,183	14,004,966
Financial and human resources	2,428,423	280,770	8,216	-	-	4,454	2,721,863
Accountability	147,751	-	-	-	-	-	147,751
System-wide pupil support	108,798	62,234	-	-	-	-	171,032
Policy, leadership and public relations	771,781	394,799	-	-	-	26,493	1,193,073
Ancillary services	181,648	45,126	-	-	-	4,399	231,173
Non-programmed charges	8,198,041	-	205,726	-	-	5,045	8,408,812
Debt service							
Principal	-	-	-	715,028	-	-	715,028
Capital outlay							
Land, buildings, and site improvement	-	-	-	2,177,310	-	-	2,177,310
Furnishings and equipment	-	-	-	498,210	-	-	498,210
Vehicles and other	-	-	-	1,111,265	-	-	1,111,265
Total Expenditures	31,394,408	66,322,633	6,306,999	4,501,813	1,712,014	1,083,261	111,321,128
Excess (Deficiency) of Revenues over Expenditures	136,646	-	-	(1,482,652)	(27,441)	434,429	(939,018)
Other Financing Sources (Uses)							
Transfers from (to) other funds	-	-	-	(60,000)	60,000	-	-
Installment obligations issued	-	-	-	920,167	-	-	920,167
Total Other Financing Sources (Uses)	-	-	-	860,167	60,000	-	920,167
Net Change in Fund Balances	136,646	-	-	(622,485)	32,559	434,429	(18,851)
Fund Balances, Beginning of Year	4,841,210	-	-	1,728,065	641,179	5,515,001	12,725,455
Decrease in reserve for inventory	(86,968)	-	-	-	-	-	(86,968)
Fund Balances, End of Year	\$ 4,890,888	\$ -	\$ -	\$ 1,105,580	\$ 673,738	\$ 5,949,430	\$ 12,619,636

See Notes to Financial Statements

Board of Education of Franklin County Schools
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2025

Exhibit 5

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds	\$ (18,851)
Adjustment due to the use of consumption method of recording inventory in the government-wide statements	(86,968)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(3,673,366)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	8,988,823
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities	3,362,484
State OPEB contribution	26,302
Net OPEB benefit	104,173
Loss on disposal of capital assets	(49,430)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(205,139)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(12,351,307)
Compensated absences	1,032,477

Change in Net Position (Deficit) of Governmental Activities \$ (2,870,802)

Board of Education of Franklin County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds
Year Ended June 30, 2025

Exhibit 6
Page 1 of 4

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Franklin County	30,541,812	30,541,812	30,541,812	-
U.S. Government	-	-	-	-
Other	1,223,650	922,031	989,242	67,211
Total Revenues	<u>31,765,462</u>	<u>31,463,843</u>	<u>31,531,054</u>	<u>67,211</u>
Expenditures				
Current				
Instructional services	9,247,630	10,523,807	10,638,465	(114,658)
System-wide support services	13,774,219	12,567,849	12,376,254	191,595
Ancillary services	190,701	191,751	181,648	10,103
Non-programmed charges	8,552,912	8,249,106	8,198,041	51,065
Total Expenditures	<u>31,765,462</u>	<u>31,532,513</u>	<u>31,394,408</u>	<u>138,105</u>
Excess (Deficiency) of Revenues over Expenditures	-	(68,670)	136,646	205,316
Other Financing Uses				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	68,670	-	(68,670)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	136,646	<u>\$ 136,646</u>
Fund Balance, Beginning of Year			4,841,210	
Decrease in reserve for inventory			(86,968)	
Fund Balance, End of Year			<u>\$ 4,890,888</u>	

Board of Education of Franklin County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds
Year Ended June 30, 2025

Exhibit 6
Page 2 of 4

	State Public School Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget		Positive
				(Negative)
Revenues				
Intergovernmental				
State of North Carolina	\$ 67,654,318	\$ 69,337,638	\$ 66,322,633	\$ (3,015,005)
Franklin County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>67,654,318</u>	<u>69,337,638</u>	<u>66,322,633</u>	<u>(3,015,005)</u>
Expenditures				
Current				
Instructional services	60,679,192	61,459,749	58,508,434	2,951,315
System-wide support services	6,930,496	7,832,259	7,769,073	63,186
Ancillary services	44,630	45,630	45,126	504
Non-programmed charges	-	-	-	-
Total Expenditures	<u>67,654,318</u>	<u>69,337,638</u>	<u>66,322,633</u>	<u>3,015,005</u>
Excess (Deficiency) of Revenues				
 over Expenditures	-	-	-	-
Other Financing Uses				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance, Beginning of Year			<u>-</u>	
Fund Balance, End of Year			<u>\$ -</u>	

Board of Education of Franklin County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds
Year Ended June 30, 2025

Exhibit 6
Page 3 of 4

	Restricted Revenues Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget		Positive
				(Negative)
Revenues				
Intergovernmental				
State of North Carolina	\$ 899,857	\$ 378,160	\$ 378,160	\$ -
Franklin County	-	-	-	-
U.S. Government	79,399	79,399	72,631	(6,768)
Other	684,672	351,960	1,066,899	714,939
Total Revenues	<u>1,663,928</u>	<u>809,519</u>	<u>1,517,690</u>	<u>708,171</u>
Expenditures				
Current				
Instructional services	1,319,414	1,090,339	987,008	103,331
System-wide support services	334,514	114,154	86,809	27,345
Ancillary services	10,000	4,399	4,399	-
Non-programmed charges	-	5,045	5,045	-
Total Expenditures	<u>1,663,928</u>	<u>1,213,937</u>	<u>1,083,261</u>	<u>130,676</u>
Excess (Deficiency) of Revenues				
over Expenditures	-	(404,418)	434,429	838,847
Other Financing Uses				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	404,418	-	(404,418)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	434,429	<u>\$ 434,429</u>
Fund Balance, Beginning of Year			<u>5,515,001</u>	
Fund Balance, End of Year			<u>\$ 5,949,430</u>	

Board of Education of Franklin County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Funds
Year Ended June 30, 2025

Exhibit 6
Page 4 of 4

	Federal Grants Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget		Positive
				(Negative)
Revenues				
Intergovernmental				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Franklin County	-	-	-	-
U.S. Government	9,984,388	9,884,147	6,306,999	(3,577,148)
Other	-	-	-	-
Total Revenues	<u>9,984,388</u>	<u>9,884,147</u>	<u>6,306,999</u>	<u>(3,577,148)</u>
Expenditures				
Current				
Instructional services	8,268,500	7,887,897	5,434,018	2,453,879
System-wide support services	709,537	1,000,469	667,255	333,214
Ancillary services	-	-	-	-
Non-programmed charges	1,006,351	995,781	205,726	790,055
Total Expenditures	<u>9,984,388</u>	<u>9,884,147</u>	<u>6,306,999</u>	<u>3,577,148</u>
Excess (Deficiency) of Revenues				
 over Expenditures	-	-	-	-
Other Financing Uses				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance, Beginning of Year			-	
Fund Balance, End of Year			<u>\$ -</u>	

Board of Education of Franklin County Schools
Statement of Net Position (Deficit)
Proprietary Funds
June 30, 2025

Exhibit 7

	Enterprise Funds		
	Major Fund	Non-Major Fund	
	School Food Service	Child Care	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,365,172	\$ 196,151	\$ 2,561,323
Due from other governments	177,888	-	177,888
Inventories	187,758	-	187,758
Total Current Assets	2,730,818	196,151	2,926,969
Noncurrent Assets			
Net OPEB asset	2,810	233	3,043
Capital assets			
Furniture and equipment, net	106,579	-	106,579
Total Assets	2,840,207	196,384	3,036,591
DEFERRED OUTFLOWS OF RESOURCES	1,574,197	137,619	1,711,816
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	862	-	862
Unearned revenue	51,154	-	51,154
Compensated absences	40,000	500	40,500
Total Current Liabilities	92,016	500	92,516
Noncurrent Liabilities			
Net pension liability	1,443,635	136,834	1,580,469
Net OPEB liability	2,921,606	302,036	3,223,642
Compensated absences	37,180	3,143	40,323
Total Noncurrent Liabilities	4,402,421	442,013	4,844,434
Total Liabilities	4,494,437	442,513	4,936,950
DEFERRED INFLOWS OF RESOURCES	559,874	58,249	618,123
NET POSITION (DEFICIT)			
Investment in capital assets	106,579	-	106,579
Restricted - DIPNC OPEB Plan	2,810	233	3,043
Unrestricted	(749,296)	(166,992)	(916,288)
Total Net Deficit	\$ (639,907)	\$ (166,759)	\$ (806,666)

Board of Education of Franklin County Schools
Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)
Proprietary Funds
Year Ended June 30, 2025

Exhibit 8

	Enterprise Funds		
	Major Fund	Non-Major	
	School Food	Fund	
	Service	Child Care	Total
Operating Revenues			
Food sales	\$ 348,710	\$ -	\$ 348,710
Child care fees	-	277,063	277,063
Total Operating Revenues	348,710	277,063	625,773
Operating Expenses			
Food cost			
Purchase of food	2,095,080	-	2,095,080
Food processing supplies	139,593	-	139,593
Donated commodities	314,314	-	314,314
Salaries and benefits	2,838,807	233,085	3,071,892
Materials and supplies	36,396	1,264	37,660
Repairs and maintenance	90,728	-	90,728
Depreciation	23,094	-	23,094
Non-capitalized equipment	2,505	-	2,505
Other	23,180	242	23,422
Total Operating Expenses	5,563,697	234,591	5,798,288
Operating Income (Loss)	(5,214,987)	42,472	(5,172,515)
Nonoperating Revenues (Expenses)			
Federal reimbursements	5,047,096	-	5,047,096
Federal commodities	314,314	-	314,314
State reimbursement	-	-	-
State OPEB contribution	887	70	957
Interest earned	1,155	-	1,155
Loss on disposal of capital assets	(918)	-	(918)
Other	3,423	-	3,423
Total Nonoperating Revenues	5,365,957	70	5,366,027
Change in Net Deficit	150,970	42,542	193,512
Net Deficit, Beginning, As Previously Reported	(811,266)	(210,028)	(1,021,294)
Restatement	20,389	727	21,116
Net Deficit, Beginning, As Restated	(790,877)	(209,301)	(1,000,178)
Net Deficit, Ending	\$ (639,907)	\$ (166,759)	\$ (806,666)

Board of Education of Franklin County Schools
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2025

Exhibit 9

	Enterprise Funds		
	Major Fund	Non-Major	
	School Food	Fund	
	Service	Child Care	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 346,675	\$ 277,063	\$ 623,738
Cash paid for goods and services	(2,301,607)	(1,506)	(2,303,113)
Cash paid to employees for services	(2,868,131)	(230,118)	(3,098,249)
Other cash received	3,423	-	3,423
Net Cash Provided (Used) by Operating Activities	(4,819,640)	45,439	(4,774,201)
Cash Flows from Noncapital Financing Activities			
Federal and state reimbursements	5,012,142	-	5,012,142
Cash Flows from Investing Activities			
Interest received on investments	1,155	-	1,155
Net Change in Cash and Cash Equivalents	193,657	45,439	239,096
Cash and Cash Equivalents, Beginning of Year	2,171,515	150,712	2,322,227
Cash and Cash Equivalents, End of Year	\$ 2,365,172	\$ 196,151	\$ 2,561,323
Reconciliation of Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities			
Operating income (loss)	\$ (5,214,987)	\$ 42,472	\$ (5,172,515)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
State OPEB contribution	887	70	957
Depreciation	23,094	-	23,094
Donated commodities	314,314	-	314,314
Other	3,423	-	3,423
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources			
Change in inventories	86,054	-	86,054
Change in net OPEB asset	(2,810)	(233)	(3,043)
Change in deferred outflows of resources	(91,603)	(1,190)	(92,793)
Change in accounts payable and accrued liabilities	(179)	-	(179)
Change in unearned revenue	(2,035)	-	(2,035)
Change in compensated absences payable	(26,403)	(504)	(26,907)
Change in net pension liability	(242,891)	(19,246)	(262,137)
Change in net OPEB liability	574,716	45,548	620,264
Change deferred inflows of resources	(241,220)	(21,478)	(262,698)
Total adjustments	394,460	2,897	397,357
Net Cash Provided (Used) by Operating Activities	\$ (4,819,640)	\$ 45,439	\$ (4,774,201)

Noncash Operating Capital and Noncapital Financing Activities

The School Food Service Fund received donated commodities with a value of \$314,314 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8.

During the fiscal year, the State Health Plan transferred assets to the Retiree Health Benefit Fund as a result of cost savings to the State Health Plan. In accordance with GASB 75, the School Food Service and Child Care Funds recorded \$887 and \$70, respectively, as a nonoperating revenue on Exhibit 8 as a result of this transfer.

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Board of Education of Franklin County Schools conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Board of Education of Franklin County Schools (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Franklin County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board does not have any component units for which it is financially accountable, and as such, there are no component units included in the accompanying financial statements.

B. Basis of Presentation

Government-Wide Statements: The Statement of Net Position (Deficit) and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

Federal Grants Fund. The Federal Grants Fund is used to account for federal grant monies administered through the Department of Public Instruction.

Capital Outlay Fund. The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds) and it is reported as a capital projects fund. It is mandated by State law [G.S.115C-426]. Capital projects are funded by Franklin County appropriations, restricted sales tax moneys, proceeds of county debt issued for public school construction, lottery proceeds, as well as certain State assistance.

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund-raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs.

Restricted Revenues Fund. The Restricted Revenues Fund is used to account for activities designated for restricted purposes and generally not intended for the general K-12 student population of the Board. Funding is primarily from local and state government grants and private donations received from individual and corporate donors, along with grant monies received directly from the federal government.

The Board reports the following major enterprise fund:

School Food Service Fund. The School Food Service Fund is used to account for the food service program within the school system.

C. Measurement Focus and Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences that are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the Individual Schools' and Restricted Revenue Fund, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds. The Superintendent is authorized by the governing board to transfer appropriations within a fund up to \$1,000. Such transfers must be reported to the governing board at its next regular meeting. Any revisions that alter the total expenditures of any fund or exceed \$1,000 must be approved by the governing board prior to any expenditure being made. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity

(1) Deposits and Investments

All deposits of the Board are made in board-designated official depositories and are secured as required by state law [G.S. 115C-444]. The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund.

The North Carolina Capital Management Trust (NCCMT) Government Portfolio is a SEC-registered money market mutual fund that is certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative Code. The Government Portfolio is a 2a7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It is rated AAAm by S&P and AAAmf by Moody's Investor Services and reported at fair value.

The Board's investments are reported at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost.

(2) Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

(3) Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of expendable materials and supplies that are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved. Proprietary fund inventories consist of food and supplies and are recorded as expenses when consumed.

(4) Capital Assets

Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

For capital assets utilized in governmental or business-type activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Franklin County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	50 years
Equipment and furniture	5 to 10 years
Vehicles	6 years
Computer equipment	3 years

Depreciation for building and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities.

(5) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position (Deficit) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has several items that meet this criterion - a pension and OPEB related deferral and contributions made to the plans subsequent to the measurement date. The Statement of Net Position (Deficit) also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has several items that meet this criterion - pension and OPEB-related deferrals.

(6) Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

(7) *Compensated Absences*

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. Accumulated vacation is settled in cash, and due when leave time is taken by the employee or at the time of termination, retirement, or death. Sick leave may be accumulated without limit until termination of employment. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes.

A liability for compensated absences is recognized in the government-wide and proprietary fund financial statements when (i) the leave is attributable to service already rendered by the employee; (ii) the leave accumulates and may be carried forward to future periods; and (iii) it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means.

The liability is measured based on the employee's pay rate as of the financial statement date, unless a different rate is more likely than not to be used. Salary-related payments directly and incrementally associated with the leave (e.g., employer share of Social Security and Medicare taxes) are included in the liability measurement. In governmental fund financial statements, compensated absences are recognized as expenditures and liabilities only when payments come due each period.

The Board's liability for accumulated compensated absences and related payments is recorded in the government-wide and proprietary fund financial statements on a LIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

(8) *Net Position (Deficit)*

Net position (deficit) in the government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

(9) *Fund Balance*

In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

Restricted for School Capital Outlay - portion of fund balance that can only be used for School Capital Outlay. [G.S. 159-18 through 22]

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

Restricted for Individual Schools - revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

Assigned Fund Balance - portion of fund balance that the Board intends to use for specific purposes.

Other special programs - portion of fund balance that includes carry over funding for the applicable state and federal programs accounted for in the Restricted Revenues Fund activities as well as a portion of the fund balance that will be used by Restricted Revenues Fund activities, as determined by the governing body.

Unassigned fund balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Board has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-board of education funds, board of education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, then by assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

(10) Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position (Deficit):

The governmental fund Balance Sheet includes reconciliation between *fund balance - total governmental funds* and *net position (deficit) - governmental activities* as reported in the government-wide Statement of Net Position (Deficit). The net adjustment of \$8,435,292 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 211,148,622
Less accumulated depreciation	(100,113,003)
Net Capital Assets	111,035,619
Net OPEB asset	82,343
Pension-related deferred outflows of resources	19,722,896
OPEB-related deferred outflows of resources	27,242,998
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Direct borrowing installment purchases	(771,543)
Compensated absences	(4,021,392)
Net pension liability	(42,693,247)
Net OPEB liability	(86,375,196)
Deferred inflows of resources related to pensions	(1,008,827)
Deferred inflows of resources related to OPEB	(14,778,359)
Total Adjustment	\$ 8,435,292

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities. There are several elements of that total adjustment of \$(2,851,951) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,145,694
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(5,819,060)
New debt and leases issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities	(920,167)
Principal payments on leases and installment purchases are recorded as a use of funds on the fund statements but affect only the statement of net position (deficit) in the government-wide statements	715,028
Contributions to the pension plan in the current fiscal year not included in the Statement of Activities	8,988,823
Contributions to the OPEB plans in the current fiscal year not included in the Statement of Activities	3,362,484
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	(86,968)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension expense	(12,351,307)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
State OPEB contribution	26,302
Net OPEB benefit	104,173
Loss on disposal of assets	(49,430)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	1,032,477
Total Adjustment	\$ (2,851,951)

(11) Defined Benefit Pension Plans and OPEB Plans

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS), the Retiree Health Benefit Fund (RHBF), and the Disability Income Plan of NC (DIPNC) and additions to/deductions from TSERS, RHBF, and DIPNC's fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBF, and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

Note 2. Stewardship, Compliance, and Accountability

Excess Expenditures over Appropriations

During the fiscal year ended June 30, 2025, the Board reported expenditures within the General Fund that violated state law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance. At the legal level of budgetary control, expenditures for Instructional Services in the General Fund exceeded the amounts appropriated in the budget ordinance by an aggregate amount of \$114,658. Management will amend procedures to ensure compliance with preaudit requirements.

Note 3. Detail Notes on All Funds

A. Assets

(1) Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board does not have a policy regarding custodial credit risk for deposits.

At June 30, 2025, the Board had deposits with financial institutions with a carrying amount of \$15,617,462 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$16,008,755 and \$2,237,418, respectively. Of these balances, \$750,000 was covered by federal depository insurance and \$17,496,173 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board has \$30 in petty cash.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

(2) Investments

At June 30, 2025, the Board of Education had \$182,945 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Board has no policy for managing interest rate risk or credit risk.

(3) Receivables

Receivables at the government-wide level at June 30, 2025 were as follows:

	Due from Other Governments	Other	Total
Governmental activities			
General Fund	\$ -	\$ 40,347	\$ 40,347
Other governmental activities	<u>279,980</u>	<u>-</u>	<u>279,980</u>
Total	<u>\$ 279,980</u>	<u>\$ 40,347</u>	<u>\$ 320,327</u>
Business-type activities			
School Food Service	\$ 177,888	\$ -	\$ 177,888

Due from other governments consists of the following:

Governmental activities		
Capital Outlay Fund	\$ 279,980	County funding
Business-type activities		
School Food Service	\$ 177,888	Federal reimbursements

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

(4) Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 6,776,775	\$ -	\$ -	\$ 6,776,775
Construction in progress	24,716	-	-	24,716
Total capital assets not being depreciated	<u>6,801,491</u>	<u>-</u>	<u>-</u>	<u>6,801,491</u>
Capital assets being depreciated:				
Buildings and improvements	184,928,196	843,181	-	185,771,377
Equipment and furniture	6,093,871	77,899	2,579,522	3,592,248
Vehicles	13,909,571	1,224,614	150,679	14,983,506
Total capital assets being depreciated	<u>204,931,638</u>	<u>2,145,694</u>	<u>2,730,201</u>	<u>204,347,131</u>
Less accumulated depreciation for:				
Buildings and improvements	80,700,835	4,719,969	-	85,420,804
Equipment and furniture	5,263,494	209,786	2,530,092	2,943,188
Vehicles	11,010,385	889,305	150,679	11,749,011
Total accumulated depreciation	<u>96,974,714</u>	<u>5,819,060</u>	<u>2,680,771</u>	<u>100,113,003</u>
Total capital assets being depreciated, net	<u>107,956,924</u>			<u>104,234,128</u>
Governmental Activity Capital Assets, Net	<u>\$ 114,758,415</u>			<u>\$ 111,035,619</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 5,107,016
Operational support services	<u>712,044</u>
	<u>\$ 5,819,060</u>

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 2,561,816	\$ -	\$ 52,075	\$ 2,509,741
Vehicles	75,226	-	-	75,226
Total capital assets being depreciated	<u>2,637,042</u>	<u>-</u>	<u>52,075</u>	<u>2,584,967</u>
Less accumulated depreciation:				
Furniture and equipment	2,431,225	23,094	51,157	2,403,162
Vehicles	75,226	-	-	75,226
Total accumulated depreciation	<u>2,506,451</u>	<u>23,094</u>	<u>51,157</u>	<u>2,478,388</u>
Business-Type Activities Capital Assets, Net	<u>\$ 130,591</u>			<u>\$ 106,579</u>

B. Liabilities

(1) Pension Plan and Other Postemployment Obligations

(a) Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

TSERS plan members who are law enforcement officers (LEOs) are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate was 16.79 percent of covered payroll from July 1, 2024 to June 30, 2025. These actuarially determined contribution rates were determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$8,988,823 for the year ended June 30, 2025.

Refunds of Contributions. Board employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the Board reported a liability of \$44,273,716 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. The Board's proportion was 0.2988% and 0.3104% at June 30, 2025 and June 30, 2024, respectively.

For the year ended June 30, 2025, the Board recognized pension expense of \$11,453,399. At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,989,831	\$ 130,879
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	7,300,526	-
Changes in proportions and differences between Board contributions and proportionate share of contributions	198,581	908,661
Board contributions subsequent to the measurement date	<u>8,988,823</u>	<u>-</u>
Total	<u>\$ 20,477,761</u>	<u>\$ 1,039,540</u>

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

The Board reported \$8,988,823 as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows for the year ended June 30:

2026	\$ 3,065,118
2027	8,354,555
2028	(188,806)
2029	<u>(781,469)</u>
	<u>\$ 10,449,398</u>

Actuarial assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The assumptions used for the December 31, 2023 actuarial valuation are based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	33.0%	2.4%
Global equity	38.0%	6.9%
Real estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic fixed income	7.0%	5.3%
Inflation sensitive	<u>6.0%</u>	4.3%
Totals	<u>100.0%</u>	

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

The information above is based on 30-year expectations developed with an investment consulting firm's 2024 long term capital market assumptions. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.5%. The discount rate used is consistent with the prior measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.5 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5 percent) or 1 percentage point higher (7.5 percent) than the current rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Net pension liability	\$ 81,215,223	\$ 44,273,716	\$ 13,810,030

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR for the state of North Carolina.

(b) Other Postemployment Healthcare Benefits

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the state, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members - eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the state of North Carolina's ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the state will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. The Board's contractually required contribution rate was 6.99 percent of covered payroll from July 1, 2024 to June 30, 2025. Board contributions to the plan were \$3,742,220 for the year ended June 30, 2025. During the year ended June 30, 2025, the North Carolina State Health Plan ("SHP") contributed \$10.3 million to the Retiree Health Benefit Fund. In accordance with GASB, the Board recognized revenue of \$27,259 as a result of this non-employer contribution.

RHBF OPEB Liability

At June 30, 2025, Board reported a liability of \$89,598,838 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December, 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2025 and 2024, the Board's proportion was 0.2643% and 0.2697% respectively.

The Board reported \$3,742,220 as deferred outflows of resources related to RHBF OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended June 30, 2026.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB benefit as follows for the year ended June 30:

2026	\$ (1,157,644)
2027	1,166,494
2028	5,227,214
2029	<u>3,819,467</u>
	<u>\$ 9,055,531</u>

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	2.5%
Salary increases based on service	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	6.5%
Healthcare cost trend rates	
Medical	5.0% to 6.5%
Prescription drug	5.0% to 10.0%
Administrative costs	3.0%
Post-retirement mortality rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	33.0%	2.4%
Global equity	38.0%	6.9%
Real estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic fixed income	7.0%	5.3%
Inflation sensitive	<u>6.0%</u>	4.3%
Totals	<u>100.0%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm's 2024 long term capital market assumptions. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.93% at June 30, 2024. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93 percent) or 1 percentage point higher (4.93 percent) than the current discount rate:

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Net RHBF OPEB liability	\$106,599,429	\$ 89,598,838	\$ 75,948,849

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease Medical - 5.5%, Pharmacy - 6.0%, Administrative - 2.0%	Healthcare Trend Rates Medical - 6.5%, Pharmacy - 7.0%, Administrative - 3.0%	1% Increase Medical - 7.5%, Pharmacy - 8.0%, Administrative - 4.0%
Net RHBF OPEB liability	\$ 73,957,408	\$ 89,598,838	\$ 109,851,443

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued ACFR for the state of North Carolina.

(c) Other Postemployment Disability Benefits

Plan description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the state, the University of North Carolina System, community colleges, certain Local Education Agencies, and ORP.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members - eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

The financial statements and other required disclosures for the plan are presented in the state of North Carolina's ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

Benefits provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from the TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under the Teachers' and State Employees' Retirement System or the University Employees' Optional Retirement Program.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2025, employers made a statutory contribution of 0.13% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$69,598 for the year ended June 30, 2025.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

DIPNC OPEB Asset

At June 30, 2025, Board reported an asset of \$85,386 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023. The total OPEB asset was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2025 and 2024, the Board's proportion was 0.2593% and 0.2712%, respectively.

The Board reported \$69,598 as deferred outflows of resources related to DIPNC OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB asset in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ending June 30:

2026	\$	(33,295)
2027		(22,434)
2028		11,810
2029		6,453
2030		<u>4,297</u>
	\$	<u>(33,169)</u>

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	2.5 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	3.00 percent, net of OPEB plan investment expense, including inflation

Discount rate. The discount rate used to measure the total OPEB asset for the DIPNC was 3% at June 30, 2024. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB asset, as well as what the Board's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (2.00 percent) or 1 percentage point higher (4.00 percent) than the current discount rate:

	<u>1% Decrease (2.00%)</u>	<u>Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Net DIPNC OPEB asset	\$ 76,137	\$ 85,386	\$ 95,109

Common actuarial assumptions for both OPEB plans. The OPEB plans currently uses mortality tables that vary by age, gender, employee group (i.e., teacher, general, law enforcement officer), and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

The actuarial assumptions used in the December 31, 2022 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources Related to OPEB

Following is information related to the proportionate share and OPEB expense:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB (benefit) expense	\$ (3,437,635)	\$ 100,341	\$ (3,337,294)
OPEB liability (asset)	\$ 89,598,838	\$ (85,386)	\$ 89,513,452
Proportionate share of the net OPEB liability	0.264%	0.259%	
Deferred Outflows of Resources			
Differences between expected and actual experience	730,283	34,423	764,706
Changes of assumptions	21,579,059	1,273	21,580,332
Net difference between projected and actual earnings on pension plan investments	383,946	67,034	450,980
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,587,830	4,283	1,592,113
Employer contributions subsequent to the measurement date	3,742,220	69,598	3,811,818
Total	<u>\$ 28,023,338</u>	<u>\$ 176,611</u>	<u>\$ 28,199,949</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 98,213	\$ 98,213
Changes of assumptions	11,681,859	39,781	11,721,640
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,543,728	2,188	3,545,916
Total	<u>\$ 15,225,587</u>	<u>\$ 140,182</u>	<u>\$ 15,365,769</u>

(2) Payables

Payables as of June 30, 2025 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities			
General Fund	\$ 872,392	\$ 12,235	\$ 884,627
Other governmental	<u>55,178</u>	<u>-</u>	<u>55,178</u>
Total governmental activities	<u>\$ 927,570</u>	<u>\$ 12,235</u>	<u>\$ 939,805</u>
Business-type activities			
School Food Service	\$ 862	\$ -	\$ 862

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

(3) Unearned Revenues

The balance in unearned revenues at year-end is composed of the following:

School Food Service Fund	
Prepayments for meals	\$ 51,154

(4) Deferred Outflows and Inflows of Resources

The balance in deferred outflows and inflows of resources at year end is composed of the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience (Pension & OPEB)	\$ 4,754,537	\$ 229,092
Changes of assumptions (Pension & OPEB)	21,580,332	11,721,640
Net difference between projected and actual earnings on plan investments (Pension & OPEB)	7,751,506	-
Change in proportion and differences between employer contributions and proportionate share of contributions (Pension & OPEB)	1,790,694	4,454,577
Board contributions subsequent to the measurement date (Pension & OPEB)	<u>12,800,641</u>	<u>-</u>
Totals	<u>\$ 48,677,710</u>	<u>\$ 16,405,309</u>

(5) Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent that employees are paid from State funds.

The Board participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Insurance. This insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event.

The Board participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000.

The Board carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

(6) Contingent Liabilities

At June 30, 2025, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

(7) Long-Term Obligations

(a) Installment Purchase

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The state has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. During the fiscal years ended June 30, 2025, June 30, 2024 and June 30, 2023, the Board entered into installment purchase contracts to finance the purchase of school buses. The financing contracts require only principal payments at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2025 are as follows:

Year Ending	Total
2026	\$ 436,577
2027	334,966
	<u>\$ 771,543</u>

(b) Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2025:

	Beginning Balances, Restated	Increases	Decreases	Ending Balances	Current Portion
Governmental Activities					
Direct placement					
installment purchases	\$ 566,404	\$ 920,167	\$ 715,028	\$ 771,543	\$ 436,577
Net pension liability	49,898,893	-	7,205,646	42,693,247	-
Net OPEB liability	69,326,642	17,048,554	-	86,375,196	-
Compensated absences	5,053,869	-	1,032,477	4,021,392	303,375
Total	<u>\$ 124,845,808</u>	<u>\$ 17,968,721</u>	<u>\$ 8,953,151</u>	<u>\$ 133,861,378</u>	<u>\$ 739,952</u>
Business-Type Activities					
Net pension liability	\$ 1,842,606	\$ -	\$ 262,137	\$ 1,580,469	\$ -
Net OPEB liability	2,603,378	620,264	-	3,223,642	-
Compensated absences	107,730	-	26,907	80,823	11,444
Total	<u>\$ 4,553,714</u>	<u>\$ 620,264</u>	<u>\$ 289,044</u>	<u>\$ 4,884,934</u>	<u>\$ 11,444</u>

The change in compensated absences presented above is shown as a net amount as allowed by GASB Statement No. 101. Net pension liability and net OPEB liability for governmental activities are typically liquidated by the State Public School Fund.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

C. *Interfund Balances and Activity*

Transfers to/from other funds at June 30, 2025 consist of the following:

From the Capital Outlay Fund to the Individual Schools Fund for capital outlay expenditures	\$	60,000
---	----	--------

D. *Fund Balance*

The Board of Education has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: revenues restricted as to use, and secondly general unrestricted revenues.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance - General Fund	\$	4,890,888
Stabilization by State Statute		<u>40,347</u>
Unassigned fund balance	\$	<u>4,850,541</u>

Note 4. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

The Board has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 5. Change in Accounting Principle

Effective July 1, 2024, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. This standard establishes a unified recognition and measurement framework for all types of compensated absences, including vacation leave, sick leave, paid time off, holidays, parental leave, and bereavement leave, and also amends certain previously required disclosures. Under the new standard, liabilities for compensated absences are recognized when the leave is attributable to services already rendered, accumulates, and is more likely than not to be used or paid. Additionally, GASB 101 excludes salary-related payments for employer defined benefit contributions.

Board of Education of Franklin County Schools
Notes to Financial Statements
June 30, 2025

As a result of implementing GASB 101, the beginning net position (deficit) of governmental activities and business-type activities were restated to reflect the cumulative effect of the change. The restatement resulted in a decrease in accrued compensated absences liabilities and a corresponding increase in beginning net position (decrease in beginning net deficit) as follows:

	<u>Governmental Activities</u>	<u>School Food Service Fund</u>	<u>Child Care Fund</u>
Beginning net position (deficit), as previously reported	\$ 23,733,255	\$ (811,266)	\$ (210,028)
Cumulative effect of change in accounting principle	<u>192,475</u>	<u>20,389</u>	<u>727</u>
Beginning net position (deficit), as restated	<u>\$ 23,925,730</u>	<u>\$ (790,877)</u>	<u>\$ (209,301)</u>

Required Supplementary Information

This Section contains additional information required by generally accepted accounting principles.

- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Board Contributions
- Schedule of the Proportionate Share of the Net OPEB Liability
- Schedule of Board Contributions
- Schedule of the Proportionate Share of the Net OPEB Liability
- Schedule of Board Contributions

Board of Education of Franklin County Schools
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years*

Schedule 1

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Board's proportion of the net pension liability	0.2988%	0.3104%	0.3068%	0.2981%	0.3113%	0.3116%	0.3144%	0.3235%	0.3392%	0.3303%
Board's proportionate share of the net pension liability	\$ 44,273,716	\$ 51,741,499	\$ 45,540,439	\$ 13,958,834	\$ 13,958,834	\$ 32,307,585	\$ 31,301,944	\$ 25,666,330	\$ 31,178,742	\$ 12,171,100
Board's covered payroll	\$ 54,517,958	\$ 53,466,268	\$ 51,244,421	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774	\$ 45,835,784	\$ 44,822,779
Board's proportionate share of the net pension liability as a percentage of its covered payroll	81.21%	96.77%	88.87%	29.79%	29.46%	70.93%	71.12%	58.25%	68.02%	27.15%
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	92.01%	91.89%	89.51%	87.32%	94.64%	98.24%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Board of Education of Franklin County Schools
Schedules of Required Supplementary Information
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years

Schedule 2

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 8,988,823	\$ 9,293,861	\$ 9,141,914	\$ 7,970,159	\$ 6,855,172	\$ 6,100,994	\$ 5,535,748	\$ 4,698,361	\$ 4,621,740	\$ 4,116,742
Contributions in relation to the contractually required contribution	<u>8,988,823</u>	<u>9,293,861</u>	<u>9,141,914</u>	<u>7,970,159</u>	<u>6,855,172</u>	<u>6,100,994</u>	<u>5,535,748</u>	<u>4,698,361</u>	<u>4,621,740</u>	<u>4,116,742</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 54,631,900	\$ 54,517,958	\$ 53,466,268	\$ 51,244,421	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774	\$ 45,835,784
Contributions as a percentage of covered payroll	16.45%	17.05%	17.10%	15.55%	14.63%	12.87%	12.15%	10.67%	10.49%	8.98%

Board of Education of Franklin County Schools
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Fund
Last Nine Fiscal Years*

Schedule 3

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability	0.2643%	0.2697%	0.2660%	0.2604%	0.2753%	0.2731%	0.2806%	0.2974%	0.2971%
Board's proportionate share of the net OPEB liability	\$ 89,598,838	\$ 71,857,898	\$ 63,169,813	\$ 80,512,385	\$ 80,512,385	\$ 86,437,332	\$ 79,938,148	\$ 97,501,426	\$ 129,225,268
Board's covered payroll	\$ 54,517,958	\$ 53,466,268	\$ 51,244,421	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774	\$ 45,835,784
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	164.35%	134.40%	123.27%	171.85%	169.89%	189.76%	181.61%	221.27%	281.93%
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%	4.40%	3.52%	3.52%	2.41%	2.41%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Ten years of data not available.

**Board of Education of Franklin County Schools
Schedules of Required Supplementary Information
Schedule of Board Contributions
Retiree Health Benefit Fund
Last Nine Fiscal Years***

Schedule 4

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 3,742,220	\$ 3,763,935	\$ 3,624,153	\$ 3,008,999	\$ 3,098,277	\$ 3,043,440	\$ 2,824,176	\$ 2,636,835	\$ 2,527,287
Contributions in relation to the contractually required contribution	<u>3,742,220</u>	<u>3,763,935</u>	<u>3,624,153</u>	<u>3,008,999</u>	<u>3,098,277</u>	<u>3,043,440</u>	<u>2,824,176</u>	<u>2,636,835</u>	<u>2,527,287</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 54,631,900	\$ 54,517,958	\$ 53,466,268	\$ 51,244,421	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774
Contributions as a percentage of covered payroll	6.85%	6.90%	6.78%	5.87%	6.61%	6.42%	6.20%	5.99%	5.74%

* Ten years of data not yet available

Board of Education of Franklin County Schools
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net OPEB Asset (Liability)
Disability Income Plan of North Carolina
Last Nine Fiscal Years*

Schedule 5

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Board's proportion of the net OPEB asset (liability)	0.2593%	0.2712%	0.2687%	0.2648%	0.2736%	0.2764%	0.2794%	0.2874%	0.3043%
Board's proportionate share of the net OPEB asset (liability)	\$ 85,386	\$ (72,122)	\$ (79,937)	\$ 43,252	\$ 134,586	\$ 119,245	\$ 84,860	\$ 175,653	\$ 188,952
Board's covered payroll	\$ 54,517,958	\$ 53,466,268	\$ 51,244,421	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774	\$ 45,835,784
Board's proportionate share of the net OPEB asset (liability) as a percentage of its covered payroll	0.16%	-0.13%	-0.16%	0.09%	0.28%	0.26%	0.19%	0.40%	0.41%
Plan fiduciary net position as a percentage of the net OPEB asset (liability)	114.99%	90.61%	90.34%	105.18%	116.47%	116.37%	116.23%	116.06%	116.06%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Ten years of data not available.

**Board of Education of Franklin County Schools
Schedules of Required Supplementary Information
Schedule of Board Contributions
Disability Income Plan of North Carolina
Last Nine Fiscal Years***

Schedule 6

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 69,598	\$ 57,988	\$ 52,600	\$ 43,341	\$ 41,743	\$ 47,039	\$ 63,060	\$ 61,018	\$ 165,051
Contributions in relation to the contractually required contribution	<u>69,598</u>	<u>57,988</u>	<u>52,600</u>	<u>43,341</u>	<u>41,743</u>	<u>47,039</u>	<u>63,060</u>	<u>61,018</u>	<u>165,051</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 54,631,900	\$ 54,517,958	\$ 53,466,268	\$ 51,244,421	\$ 46,850,242	\$ 47,389,753	\$ 45,551,535	\$ 44,015,398	\$ 44,063,774
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.08%	0.09%	0.10%	0.14%	0.14%	0.37%

* Ten years of data not yet available

Individual Fund Statements and Schedules

Board of Education of Franklin County Schools
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Capital Outlay Fund
Year Ended June 30, 2025

Schedule 7

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
State of North Carolina			
State appropriations - buses	\$ 715,028	\$ 715,028	\$ -
Franklin County			
General county revenues	4,803,635	2,300,561	(2,503,074)
Other			
Interest earned on investments	-	3,572	3,572
Total Revenues	<u>5,518,663</u>	<u>3,019,161</u>	<u>(2,499,502)</u>
Expenditures			
Capital outlay			
Real property and buildings		2,177,310	
Furnishings and equipment		498,210	
Buses and motor vehicles		1,111,265	
Total capital outlay	<u>6,460,892</u>	<u>3,786,785</u>	<u>2,674,107</u>
Debt service			
Principal	715,028	715,028	-
Total Expenditures	<u>7,175,920</u>	<u>4,501,813</u>	<u>2,674,107</u>
Revenues Over (Under) Expenditures	<u>(1,657,257)</u>	<u>(1,482,652)</u>	<u>174,605</u>
Other Financing Sources (Uses)			
Transfers to other funds	(60,000)	(60,000)	-
Installment purchase obligations issued	920,167	920,167	-
Total Other Financing Sources (Uses)	<u>860,167</u>	<u>860,167</u>	<u>-</u>
Fund balance appropriated	797,090	-	(797,090)
Net Change in Fund Balance	<u>\$ -</u>	<u>(622,485)</u>	<u>\$ (622,485)</u>
Fund Balance, Beginning of Year		<u>1,728,065</u>	
Fund Balance, End of Year		<u>\$ 1,105,580</u>	

Board of Education of Franklin County Schools
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Individual Schools
Year Ended June 30, 2025

Schedule 8

	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers from Other Funds</u>	<u>Net Change in Fund Balance</u>	<u>Fund Balances July 1, 2024</u>	<u>Fund Balances June 30, 2025</u>
Bunn Elementary	\$ 35,797	\$ 33,670	\$ 3,750	\$ 5,877	\$ 10,670	\$ 16,547
Bunn Middle	92,317	96,371	3,750	(304)	23,206	22,902
Bunn High	334,549	319,882	3,750	18,417	156,305	174,722
Franklinton Elementary	37,586	38,123	3,750	3,213	7,874	11,087
Franklinton Middle	59,909	65,729	3,750	(2,070)	11,115	9,045
Franklinton High	430,408	419,349	3,750	14,809	169,771	184,580
Louisburg Elementary	25,301	26,002	3,750	3,049	18,415	21,464
Louisburg High	278,200	290,250	3,750	(8,300)	84,851	76,551
Terrell Lane Middle	53,771	54,748	3,750	2,773	23,314	26,087
Cedar Creek Middle	99,495	97,705	3,750	5,540	20,130	25,670
Edward Best Elementary	74,192	95,086	3,750	(17,144)	49,171	32,027
Early College High School	16,252	20,405	3,750	(403)	13,239	12,836
Laurel Mill Elementary	34,979	38,757	3,750	(28)	17,264	17,236
Youngsville Elementary	41,776	42,932	3,750	2,594	12,514	15,108
Long Mill Elementary	31,196	38,065	3,750	(3,119)	17,985	14,866
Royal Elementary	38,845	34,940	3,750	7,655	5,355	13,010
	<u>\$ 1,684,573</u>	<u>\$ 1,712,014</u>	<u>\$ 60,000</u>	<u>\$ 32,559</u>	<u>\$ 641,179</u>	<u>\$ 673,738</u>

Board of Education of Franklin County Schools
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
School Food Service Fund
Year Ended June 30, 2025

Schedule 9

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Revenues			
Food Sales	\$ 310,000	\$ 348,710	\$ 38,710
Operating Expenditures			
Business support services			
Purchase of food		2,009,026	
Donated commodities		314,314	
Food processing supplies		139,593	
Salaries and benefits		2,869,018	
Materials and supplies		36,396	
Repairs and maintenance		90,728	
Non-capitalized equipment		2,505	
Other	-	23,180	-
Total Operating Expenditures	<u>5,600,996</u>	<u>5,484,760</u>	<u>116,236</u>
Operating Loss	<u>(5,290,996)</u>	<u>(5,136,050)</u>	<u>154,946</u>
Nonoperating Revenues			
Federal reimbursements	4,968,682	5,047,096	78,414
Federal commodities	314,314	314,314	-
State reimbursements	-	-	-
Interest earned	-	1,155	1,155
Other	8,000	3,423	(4,577)
Total Nonoperating Revenues	<u>5,290,996</u>	<u>5,365,988</u>	<u>74,992</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>229,938</u>	<u>\$ 229,938</u>
Reconciliation of Modified Accrual to Full Accrual			
Reconciling items			
Depreciation		(23,094)	
Loss on disposal of capital assets		(918)	
State OPEB contribution		887	
Change in inventories		(86,054)	
Change in net OPEB asset		2,810	
Change in deferred outflows of resources		91,603	
Change in compensated absences payable		26,403	
Change in net pension liability		242,891	
Change in net OPEB liability		(574,716)	
Change in deferred inflows of resources		241,220	
Change in Net Deficit (Full Accrual)		<u>\$ 150,970</u>	

Board of Education of Franklin County Schools
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Child Care Fund
Year Ended June 30, 2025

Schedule 10

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Revenues			
Child care fees	\$ 270,464	\$ 277,063	\$ 6,599
Operating Expenditures			
Regular community service			
Salaries and benefits		230,188	
Materials and supplies		1,264	
Other		242	
Total Operating Expenditures	<u>270,464</u>	<u>231,694</u>	<u>38,770</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	45,369	<u>\$ -</u>
Reconciliation of Modified Accrual to Full Accrual			
Reconciling items			
State OPEB contribution		70	
Change in OPEB asset		233	
Change in deferred outflows of resources		1,190	
Change in compensated absences payable		504	
Change in net pension liability		19,246	
Change in net OPEB liabilities		(45,548)	
Change in deferred inflows of resources		21,478	
Change in Net Deficit (Full Accrual)		<u>\$ 42,542</u>	

Compliance Section

**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Education
Franklin County Schools
Louisburg, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Franklin County Schools ("Board") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated January 20, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

**Raleigh, North Carolina
January 20, 2026**

**Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by the OMB Uniform
Guidance and the State Single Audit Implementation Act**

Independent Auditor's Report

Board of Education
Franklin County Schools
Louisburg, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Board of Education of Franklin County Schools ("Board") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Board's major federal programs for the year ended June 30, 2025. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Board's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

**Raleigh, North Carolina
January 20, 2026**

Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the State Single Audit Implementation Act

Independent Auditor's Report

Board of Education
Franklin County Schools
Louisburg, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Board of Education of Franklin County Schools ("Board") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Board's major state programs for the year ended June 30, 2025. The Board's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Our responsibilities under those standards, the applicable sections of Uniform Guidance, and the State Single Audit Implementation Act are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Board's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, the applicable sections of the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the applicable sections of the Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

**Raleigh, North Carolina
January 20, 2026**

Note 1. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

Assistance Listing

Names of Federal Program or Cluster

84.027, 84.173

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

State Awards

Internal control over major state programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditors' report issued on compliance for major state programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

 Yes X No

Identification of major state programs:

Program Name

N. C. Department of Public Instruction
State Public School Fund
School Buses Appropriation

Dollar threshold used to determine a State Major program: \$500,000

Auditee qualified as State low-risk auditee? X Yes No

Note 2. Financial Statement Findings

No matters are reportable.

Note 3. Federal Award Findings and Questioned Costs

No matters are reportable.

Note 4. State Award Findings and Questioned Costs

No matters are reportable.

There were no reportable audit findings related to the audit of federal and state awards for the fiscal year ended June 30, 2024.

Board of Education of Franklin County Schools
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2025

Schedule 13
Page 1 of 2

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
Federal Grants			
U.S. Department of Agriculture			
School Nutrition Program (Note 3)			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture			
National School Lunch Program	10.555	PRC 035	\$ 314,314
Cash Assistance			
Passed-through the N.C. Department of Public Instruction			
School Breakfast Program	10.553	PRC 035	1,202,119
National School Lunch Program	10.555	PRC 035	3,776,015
Summer Food Service Program for Children	10.559	PRC 050	68,962
Total Cash Assistance			5,047,096
Total Child Nutrition Cluster			5,361,410
Passed-through the N.C. Department of Agriculture and Consumer Services			
Local Food for Schools Cooperative Agreement Program	10.185	PRC 353	4,399
Total U.S. Department of Agriculture			5,365,809
U.S. Department of Education			
Cash Assistance			
Passed-through the N.C. Department of Public Instruction			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	2,482,908
School Improvement - Title I	84.010	PRC 115	42,200
Total Title I Grants to Local Educational Agencies (Title I)			2,525,108
Special Education Cluster			
Special Education - Grants to States (IDEA, Part B) -			
Education of the Handicapped	84.027	PRC 060	2,470,381
Early Intervening Services	84.027	PRC 070	
Special Needs Target Assistance	84.027	PRC 118	2,480
Special Education - Preschool Grants (IDEA Preschool) -			
Preschool Handicapped	84.173	PRC 049	12,703
Preschool Targeted Assistance	84.173	PRC 119	951
Total Special Education Cluster			2,486,515
Career and Technical Education - Capacity Building Grant	84.048	PRC 017	180,799
English Language Acquisition Grant	84.365	PRC 104/111	104,631
Supporting Effective Instruction State Grants	84.367	PRC 103	415,491
Education for Homeless Children and Youth	84.196	PRC 026	47,631
Student Support and Academic Enrichment Program	84.424	PRC 108	199,766
COVID-19 Education Stabilization Fund			
ESSER III - K-12 Emergency Relief Fund	84.425U	PRC 181	150,958
ESSER III - Homeless I	84.425W	PRC 183	3,372
ESSER III - Homeless II	84.425W	PRC 184	34,387
ESSER III - Summer Career Acceleratory Programs	84.425U	PRC 188	47,288
ESSER III - Math Enrichment Programs	84.425U	PRC 189	80,550
ESSER III - Grants for Identification and Location of Missing Students	84.425U	PRC 191	928
ESSER III - Cyberbullying & Suicide Prevention	84.425U	PRC 192	24,957
ESSER III - Career & Technical Education - Hospitality	84.425U	PRC 194	3,035
ESSER III - NBPTS Certification Fee Reimbursement Program	84.425U	PRC 198	1,583
Total COVID-19 Education Stabilization Fund			347,058
Total U.S. Department of Education			6,306,999
U.S. Department of Defense			
Direct Program			
ROTC	12.000	PRC 031	106,917
Total Federal Assistance			\$ 11,779,725

See Notes to Schedule of Expenditures of Federal and State Awards

Board of Education of Franklin County Schools
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2025

Schedule 13
Page 2 of 2

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Expenditures
State Grants			
Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			\$ 62,665,773
Driver Training - SPSF		PRC 012	231,760
School Technology Fund - SPSF		PRC 015	28,567
Career and Technical Education			
- State Months of Employment		PRC 013	3,030,021
- Program Support Funds		PRC 014	366,512
			<u>66,322,633</u>
Total N.C. Department of Public Instruction			
<u>N.C. Department of Agriculture</u>			
State Kindergarten Breakfast Funds			
<u>N.C. Department of Health and Human Services</u>			
Division of Public Health			
State School Nurse Initiative			150,000
Non-Cash Assistance			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriation		PRC 120	715,029
			<u>67,187,662</u>
Total State Assistance			
Total Federal and State Assistance			<u><u>\$ 78,967,387</u></u>

Board of Education of Franklin County Schools
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2025

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of the Board of Education of Franklin County Schools (the "Board") under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Board.

Note 2: Summary of Significant Account Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Board has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Noncash Assistance

Included in the amounts reported on the Schedule, the Board received non-cash assistance in the form of food commodities and school buses. Non-cash items with a fair value of \$1,029,343 were received during the year ended June 30, 2025. These non-cash items received were included in the determination of federal and state awards expended for the year ended June 30, 2025.